

CITY OF RYAN

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2010

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# CITY OF RYAN

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2010)		
Mike Corcoran	Mayor	Jan 2010
Dennis Glynn	Mayor Pro Tem	Jan 2012
John Britt	Council Member	Jan 2010
Tony Zaiser	Council Member	Jan 2010
Joanna Schaul	Council Member	Jan 2010
Andy Lyness	Council Member	Jan 2012
(After December, 2009)		
Mike Corcoran	Mayor	Jan 2012
Dennis Glynn	Mayor Pro Tem	Jan 2012
Andy Lyness	Council Member	Jan 2012
John Britt	Council Member	Jan 2014
Kesha Kaiser	Council Member	Jan 2014
Tiffany Feldman	Council Member	Jan 2014
Natalie Ross	Clerk/Treasurer	Indefinite
William Blum	Attorney	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ryan, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Ryan's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by activity of the cash basis net assets and by fund

of the cash balances at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ryan as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2010, on our consideration of the City of Ryan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

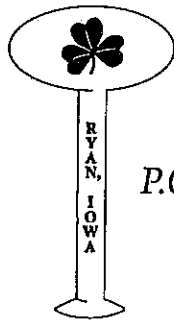
Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 25 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ryan's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the cash balances at July 1, 2009 as it relates to Schedule 1, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa

*Dietz, Donald & Company*  
Dietz, Donald & Company, CPAs  
FEIN 42-1172392

August 27, 2010



## **CITY OF RYAN**

*P.O. Box 40 • 405 Franklin St.  
Ryan, Iowa 52330  
563-932-2051*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Ryan provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. The reader should keep in mind that any comparative data provided has not been audited.

#### **2010 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 6.4%, or approximately \$ 17,000, from fiscal 2009 to fiscal 2010. Property tax increased approximately \$ 8,000.

Disbursements of the City's governmental activities increased 14.7% or approximately \$ 36,000, in fiscal 2010 from fiscal 2009. Public safety, public works and general government disbursements increased approximately \$ 35,000, \$ 19,000 and \$ 10,000, respectively.

The City's total cash basis net assets decreased over 13%, or approximately \$ 52,000 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$ 1,000 while the assets of the business type activities decreased approximately \$ 51,000.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's debt.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statement**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

1. Governmental Activities include public safety, public works, health and social services, culture and recreation, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
2. Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

#### Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include (a) the General Fund, (b) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, (c) the Debt Service Fund, (d) the Capital Projects Fund and (e) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$ 257,000 to \$ 256,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.



Changes in Cash Basis Net Assets of Governmental Activities  
(Expressed in Thousands)

	Years Ended June 30,	
	2010	2009
Receipts		
Program receipts		
Charges for service	\$ 88	93
Operating grants, contributions, and restricted interest	42	27
General receipts		
Property tax	112	104
Local option sales tax	30	35
Unrestricted interest on investments	2	3
Other general receipts	15	10
Total receipts	289	272
Disbursements		
Public safety	75	41
Public works	112	93
Health and social services	-	-
Culture and recreation	32	28
Community and economic development	-	1
General government	42	32
Debt service	12	50
Capital projects	8	-
Total disbursements	281	245
Change in cash basis net assets before transfers	8	27
Transfers, net	(9)	(17)
Change in cash basis net assets	(1)	10
Cash basis net assets beginning of year	257	247
Cash basis net assets end of year	\$ 256	257

The City's total receipts for governmental activities increased 6.4%, or approximately \$ 17,000. The total cost of all programs and services increased approximately \$ 36,000, or 14.7%, with no new programs added this year.

The City increased property tax rates for 2010 by an average of 7 percent. This increase raised the City's property tax receipts approximately \$ 8,000 in 2010. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$ 2,000 next year.

The cost of all governmental activities this year was approximately \$ 281,000 compared to approximately \$ 245,000 last year. However, as shown in the Statement of Activities and Net Assets on page 14, the amount taxpayers ultimately financed for these activities was only \$ 150,000 because some of the cost was paid by those directly benefited from the programs (\$ 88,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 42,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service increased in 2010 from approximately \$ 120,000 to approximately \$ 131,000, principally due to receiving \$ 15,000 more in grants in 2010. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 150,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest.

Changes in Cash Basis Net Assets of Business Type Activities  
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Receipts		
Program receipts		
Charges for service		
Water	\$ 37	42
Sewer	48	52
General receipts		
Unrestricted interest on investments	2	2
Total receipts	<u>87</u>	<u>96</u>
Disbursements		
Water	72	52
Sewer	75	73
Total disbursements	<u>147</u>	<u>125</u>
Change in cash basis net assets before transfers	(60)	(29)
Transfers, net	9	17
Change in cash basis net assets	(51)	(12)
Cash basis net assets beginning of year	<u>129</u>	<u>141</u>
Cash basis net assets end of year	<u>\$ 78</u>	<u>129</u>

The business type activities receipts for the fiscal year were approximately \$ 87,000 compared to approximately \$ 96,000 last year. The cash balance decreased approximately \$ 51,000. Total disbursements for the fiscal year increased 17.3% to approximately \$ 147,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Ryan completed the year, its governmental funds reported a combined fund balance of \$ 255,657, a decrease of about \$ 1,000 from last year's total of \$ 256,733. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$ 6,642 from the prior year to \$ 224,118. Receipts increased approximately \$ 12,000 from last year, however disbursements increased approximately \$ 52,000. Public safety and public works disbursements increased approximately \$ 32,000 and \$ 15,000, respectively.

The Special Revenue, Local Option Sales Tax Fund was established to account for the local option sales receipts. Receipts for fiscal year 2010 were \$ 29,888 as compared to \$ 34,956 in the previous year.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance decreased \$ 29,546, leaving the Water Fund with a balance of \$ 58,277. Receipts for 2010, were \$ 37,918, \$ 3,480 less than in 2009. Disbursements increased \$ 20,239 to \$ 72,142.

The Sewer Fund cash balance decreased \$ 21,053, leaving the Sewer Fund with a balance of \$ 19,475. Receipts for 2010 were \$ 49,036, \$ 3,299 less than in 2009.

## **BUDGETARY HIGHLIGHTS**

During the year, the City amended its budget once. The amendment was approved May 3, 2010. Total disbursements were increased by \$ 135,000 including \$ 96,000 to increase budgeted disbursements for government activities and \$ 39,000 for business type activities.

The City's receipts were \$ 14,842 more than budgeted. Total disbursements were \$ 220,201 less than the amended budget.

The City exceeded the amount budgeted in the debt service function for the year ended June 30, 2010 due to a slight miscalculation of debt service costs.

## **DEBT ADMINISTRATION**

At June 30, 2010, the City had \$ 491,877 in long-term debt outstanding, compared to \$ 531,477 last year, as shown below.

Outstanding Debt at Year-End  
(Expressed in Thousands)

	June 30,	
	2010	2009
General obligation notes	\$ 111	133
Revenue bonds	381	398
Total	<u>\$ 492</u>	<u>531</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 111,000 is significantly below its constitutional debt limit of approximately \$ 836,000.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Ryan's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities.

The City has experienced some growth. City population has increased nearly 20% over the last thirty years. January 1, 2009 property valuations were 3.4% more than January 1, 2008 property valuations.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are approximately \$ 470,000, a decrease of 7.4% under the final 2010 budget. Property taxes are budgeted to increase 1.7%, although rates will actually decrease 2.0%. Budgeted disbursements are expected to decrease approximately \$ 28,000. The City added no major programs or initiatives to the 2011 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$ 3,000 by the close of 2011.

#### CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Natalie Ross: 405 Franklin Street; Ryan, Iowa 52330-0040.

## BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF RYAN  
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS  
As of and for the Year Ended June 30, 2010

Functions/Programs:	Disbursements	Program Receipts		Governmental Activities	Business Type Activities	Total
		Charges for Service	Operating Grants, Contributions and Restricted Interest			
Governmental activities:						
Public safety	\$ 75,163	43,362	6,429	(25,372)	-	(25,372)
Public works	111,452	23,591	30,097	(57,764)	-	(57,764)
Health and social services	250	-	-	(250)	-	(250)
Culture and recreation	32,368	14,953	5,954	(11,461)	-	(11,461)
General government	42,147	6,176	-	(35,971)	-	(35,971)
Debt service	11,894	-	-	(11,894)	-	(11,894)
Capital projects	7,766	-	-	(7,766)	-	(7,766)
Total governmental activities	281,040	88,082	42,480	(150,478)	-	(150,478)
Business type activities:						
Water	72,142	37,225	-	-	(34,917)	(34,917)
Sewer	74,767	48,072	-	-	(26,695)	(26,695)
Total business type activities	146,909	85,297	-	-	(61,612)	(61,612)
Total	\$ 427,949	173,379	42,480	(150,478)	(61,612)	(212,090)
General Receipts:						
Property and other city tax levied for:						
General purposes				100,317	-	100,317
Debt service				11,773	-	11,773
Local option sales tax				29,888	-	29,888
Unrestricted interest on investments				1,854	1,657	3,511
Miscellaneous				10,426	-	10,426
Sale of assets				4,500	-	4,500
Transfers				(9,356)	9,356	-
Total general receipts and transfers				149,402	11,013	160,415
Change in cash basis net assets				(1,076)	(50,599)	(51,675)
Cash basis net assets beginning of year				256,733	128,351	385,084
Cash basis net assets end of year				\$ 255,657	77,752	333,409
Cash Basis Net Assets:						
Restricted:						
Streets				\$ 26,664	-	26,664
Veterans Memorial				16,358	-	16,358
Other purposes				9,331	-	9,331
Unrestricted				203,304	77,752	281,056
Total cash basis net assets				\$ 255,657	77,752	333,409

See notes to financial statements

CITY OF RYAN  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2010

	General	Special Revenue Local Option Sales Tax	Nonmajor	Total
Receipts:				
Property tax	\$ 90,549	-	21,541	112,090
Other city tax	-	29,888	-	29,888
Licenses and permits	589	-	-	589
Use of money and property	2,290	-	131	2,421
Intergovernmental	47,007	-	32,488	79,495
Charges for service	23,792	-	-	23,792
Miscellaneous	33,055	-	3,490	36,545
Total receipts	197,282	29,888	57,650	284,820
Disbursements				
Operating:				
Public safety	72,772	-	2,391	75,163
Public works	84,286	-	27,166	111,452
Health and social services	250	-	-	250
Culture and recreation	30,939	-	1,429	32,368
General government	40,209	-	1,938	42,147
Debt service	-	-	11,894	11,894
Capital projects	-	-	7,766	7,766
Total disbursements	228,456	-	52,584	281,040
Excess (deficiency) of receipts over (under) disbursements	(31,174)	29,888	5,066	3,780
Other financing sources (uses):				
Sale of capital assets	4,500	-	-	4,500
Operating transfers in	20,532	-	500	21,032
Operating transfers out	(500)	(29,888)	-	(30,388)
Total other financing sources (uses)	24,532	(29,888)	500	(4,856)
Net change in cash balances	(6,642)	-	5,566	(1,076)
Cash balances beginning of year	230,760	-	25,973	256,733
Cash balances end of year	\$ 224,118	-	31,539	255,657
Cash Basis Fund Balances				
Unreserved, designated:				
Fire department	\$ 46,995	-	-	46,995
Unreserved, undesignated:				
General fund	177,123	-	-	177,123
Special revenue funds	-	-	35,995	35,995
Debt service fund	-	-	(13,048)	(13,048)
Capital projects fund	-	-	(7,766)	(7,766)
Permanent fund	-	-	16,358	16,358
Total cash basis fund balances	\$ 224,118	-	31,539	255,657

See notes to financial statements

CITY OF RYAN  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
As of and for the Year Ended June 30, 2010

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 33,595	48,072	81,667
Operating disbursements:			
Business type activities	72,142	43,501	115,643
Excess (deficiency) of operating receipts over (under) operating disbursements	(38,547)	4,571	(33,976)
Non-operating receipts (disbursements)			
Interest on investments	693	964	1,657
Miscellaneous	3,630	-	3,630
Debt service	-	(31,266)	(31,266)
Net non-operating receipts (disbursements)	4,323	(30,302)	(25,979)
Deficiency of receipts under disbursements	(34,224)	(25,731)	(59,955)
Operating transfers in	4,678	4,678	9,356
Net change in cash balances	(29,546)	(21,053)	(50,599)
Cash balances beginning of year	87,823	40,528	128,351
Cash balances end of year	\$ 58,277	19,475	77,752
Cash Basis Fund Balances			
Unreserved	\$ 58,277	19,475	77,752

See notes to financial statements



City of Ryan

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

The City of Ryan is a political subdivision of the State of Iowa located in Delaware County. It was first incorporated in 1901 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Ryan has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Delaware County Solid Waste Commission, Delaware County Assessor's Conference Board and

Delaware County E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and inter-governmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for the receipt and disbursement of the 1% local option sales tax.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Ryan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

## (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City. At June 30, 2010, the City had \$ 134,905 invested in certificates of deposit.

## (3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, and revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 22,600	4,442	18,000	12,886	40,600	17,328
2012	13,277	3,603	20,000	12,229	33,277	15,832
2013	11,000	3,075	21,000	11,499	32,000	14,574
2014	12,000	2,624	22,000	10,739	34,000	13,363
2015	12,000	2,132	24,000	9,949	36,000	12,081
2016-2020	40,000	3,321	147,000	35,839	187,000	39,160
2021-2025	-	-	125,000	10,500	125,000	10,500
2026	-	-	4,000	120	4,000	120
Total	\$ 110,877	19,197	381,000	103,761	491,877	122,958

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$ 4,935 equal to the required contribution for the year.

**(5) Other Postemployment Benefits (OPEB)**

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active members in the plan. Participants must be age 55 or older at retirement.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 208 for single coverage. For the year ended June 30, 2010, the City contributed \$ 4,020 to the plan and plan members eligible for benefits contributed \$ 0 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2010, primarily related to the General Fund, is approximately \$ 1,300.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 20,532
Permanent: Veterans Memorial	General	500
Enterprise: Water	Special Revenue: Local Option Sales Tax	4,678
Sewer	Local Option Sales Tax	<u>4,678</u>
Total		<u>\$ 30,388</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

**(9) Commitments**

In June, 2010 the City entered into a contract for \$ 10,000 to seal coat City streets.

**(10) Deficit Balances**

At June 30, 2010 the Debt Service Fund had a deficit balance of \$ 13,048 and the Capital Projects Fund had a deficit balance of \$ 7,766. The Debt Service Fund deficit will be eliminated with

future property tax collections. The Capital Projects Fund deficit was the result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grants and loan proceeds.

**(11) Subsequent Events**

The City purchased a mower at a cost of \$ 5,269 in July, 2010.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF RYAN  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES-  
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 112,090	-	112,090	110,898	110,898	1,192
Other city tax	29,888	-	29,888	30,848	30,848	(960)
Licenses and permits	589	-	589	540	540	49
Use of money and property	2,421	5,287	7,708	3,510	3,510	4,198
Intergovernmental	79,495	-	79,495	78,063	78,063	1,432
Charges for service	23,792	81,667	105,459	115,323	115,323	(9,864)
Miscellaneous	36,545	-	36,545	17,750	17,750	18,795
Total receipts	284,820	86,954	371,774	356,932	356,932	14,842
Disbursements:						
Public safety	75,163	-	75,163	63,817	94,817	19,654
Public works	111,452	-	111,452	113,098	136,098	24,646
Health and social services	250	-	250	250	250	-
Culture and recreation	32,368	-	32,368	24,860	51,860	19,492
General government	42,147	-	42,147	35,509	50,509	8,362
Debt service	11,894	-	11,894	11,810	11,810	(84)
Capital projects	7,766	-	7,766	150,000	150,000	142,234
Business type activities	-	146,909	146,909	113,806	152,806	5,897
Total disbursements	281,040	146,909	427,949	513,150	648,150	220,201
Excess (deficiency) of receipts over (under) disbursements	3,780	(59,955)	(56,175)	(156,218)	(291,218)	235,043
Other financing sources, net	(4,856)	9,356	4,500	150,000	150,000	(145,500)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,076)	(50,599)	(51,675)	(6,218)	(141,218)	89,543
Balances beginning of year	256,733	128,351	385,084	410,479	410,479	(25,395)
Balances end of year	\$ 255,657	77,752	333,409	404,261	269,261	64,148

See accompanying independent auditor's report and notes to required supplementary information-budgetary reporting

## CITY OF RYAN

### Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$ 135,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

## Schedule 1

CITY OF RYAN  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of and for the Year Ended June 30, 2010

	Special Revenue						Permanent	
	Road Use Tax	I-Jobs Grant	Employee Benefits	Community Disaster Grant	Debt Service	Capital Projects	Veterans Memorial	Total
Receipts:								
Property tax	\$ -	-	9,768	-	11,773	-	-	21,541
Use of money and property	-	-	-	-	-	-	131	131
Intergovernmental	28,680	1,417	-	2,391	-	-	-	32,488
Miscellaneous	-	-	-	-	-	-	3,490	3,490
Total receipts	28,680	1,417	9,768	2,391	11,773	-	3,621	57,650
Disbursements:								
Operating:								
Public safety	-	-	-	2,391	-	-	-	2,391
Public works	25,013	-	2,153	-	-	-	-	27,166
Culture and recreation	-	-	-	-	-	-	1,429	1,429
General government	-	-	1,938	-	-	-	-	1,938
Debt service	-	-	-	-	11,894	-	-	11,894
Capital projects	-	-	-	-	-	7,766	-	7,766
Total disbursements	25,013	-	4,091	2,391	11,894	7,766	1,429	52,584
Excess (deficiency) of receipts over (under) disbursements	3,667	1,417	5,677	-	(121)	(7,766)	2,192	5,066
Other financing sources:								
Operating transfers in	-	-	-	-	-	-	500	500
Net change in cash balances	3,667	1,417	5,677	-	(121)	(7,766)	2,692	5,566
Cash balances beginning of year	21,580	-	3,654	-	(12,927)	-	13,666	25,973
Cash balances end of year	\$ 25,247	1,417	9,331	-	(13,048)	(7,766)	16,358	31,539
Cash Basis Fund Balances:								
Reserved for debt service	\$ -	-	-	-	(13,048)	-	-	(13,048)
Unreserved:								
Special revenue funds	25,247	1,417	9,331	-	-	-	-	35,995
Capital projects fund	-	-	-	-	-	(7,766)	-	(7,766)
Permanent fund	-	-	-	-	-	-	16,358	16,358
Total cash basis fund balances	\$ 25,247	1,417	9,331	-	(13,048)	(7,766)	16,358	31,539

See accompanying independent auditor's report.

## Schedule 2

CITY OF RYAN  
SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Fire truck/street	Aug 5, 2003	3.40%	\$ 160,000	27,477	-	12,600	14,877	950
Fire truck/street	Nov 15, 2007	4.10	115,000	106,000	-	10,000	96,000	4,408
Total				<u>\$ 133,477</u>	<u>-</u>	<u>22,600</u>	<u>110,877</u>	<u>5,358</u>
Revenue bonds								
Sewer	Feb 1, 2001	4.30%	\$ 187,000	121,000	-	9,000	112,000	5,203
Sewer	Mar 23, 2006	3.00	295,000	277,000	-	8,000	269,000	8,310
Total				<u>\$ 398,000</u>	<u>-</u>	<u>17,000</u>	<u>381,000</u>	<u>13,513</u>

See accompanying independent auditor's report.

CITY OF RYAN  
BOND AND NOTE MATURITIES  
June 30, 2010

General Obligation Notes					
Year Ending June 30,	Fire Truck/Street Issued Aug 5, 2003		Fire Truck/Street Issued Nov 15, 2007		
	Interest		Interest		
	Rates	Amount	Rates	Amount	Total
	2011	3.40%	\$ 12,600	4.10%	\$ 10,000
2012	3.40	2,277	4.10	11,000	13,277
2013		—	4.10	11,000	11,000
2014		—	4.10	12,000	12,000
2015		—	4.10	12,000	12,000
2016		—	4.10	13,000	13,000
2017		—	4.10	13,000	13,000
2018		—	4.10	14,000	14,000
Total		\$ 14,877		\$ 96,000	110,877

Revenue Bonds					
Year Ending June 30,	Sewer		Sewer		Total
	Issued Feb 1, 2001		Issued Mar 23, 2006		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2011	4.30%	\$ 9,000	3.00%	\$ 9,000	18,000
2012	4.30	10,000	3.00	10,000	20,000
2013	4.30	10,000	3.00	11,000	21,000
2014	4.30	10,000	3.00	12,000	22,000
2015	4.30	11,000	3.00	13,000	24,000
2016	4.30	11,000	3.00	14,000	25,000
2017	4.30	12,000	3.00	15,000	27,000
2018	4.30	12,000	3.00	16,000	28,000
2019	4.30	13,000	3.00	19,000	32,000
2020	4.30	14,000	3.00	21,000	35,000
2021		-	3.00	30,000	30,000
2022		-	3.00	30,000	30,000
2023		-	3.00	30,000	30,000
2024		-	3.00	25,000	25,000
2025		-	3.00	10,000	10,000
2026		-	3.00	4,000	4,000
Total		\$ 112,000		\$ 269,000	381,000

See accompanying independent auditor's report.

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Ryan, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 27, 2010. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by activity of cash basis net assets and by fund of the cash balances at July 1, 2009. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Ryan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ryan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ryan's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct

misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. We consider the deficiencies in the City's internal control described in Part I of the accompanying Schedule of Findings and Responses, I-A-10, I-B-10, I-C-10 and I-D-10 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ryan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Ryan's responses to findings in our audit are described in the accompanying Schedule of Findings and Responses. While we expressed



our conclusions on the City's responses, we did not audit the City of Ryan's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Ryan and other parties to whom the City of Ryan may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ryan during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

August 27, 2010

*Dietz, Donald & Company*  
Dietz, Donald & Company, CPAs  
FEIN 42-1172392

CITY OF RYAN  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- I-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-10 Financial Reporting - As is common in small organizations, the City does not prepare its financial statements, complete with notes, in accordance with U.S. generally accepted accounting principles. Accordingly, the City is unable to, and has not established internal controls over the preparation of financial statements.

Recommendation - As part of the audit, we have been requested to prepare a draft of the City's financial statements, including related notes to the financial statements. The City then performs a review of the financial statements. However, in order to provide improved oversight of the financial preparation services and implement controls over the financial reporting process the City should establish review policies and procedures including the performance of some or all of the following functions:

Review the adequacy of financial statement disclosures.

Review and approve schedules and calculations supporting

amounts included in the notes to the financial statements.

Apply analytical procedures to the draft financial statements.

Apply other procedures as considered necessary by the City.

Response - We will consider this. However, because our current population is only 410, we are not required to have an audit and normally do not prepare formal financial statements.

Conclusion - Response acknowledged.

I-C-10 Annual Report - The ending fund balances per the 2009 Financial Report submitted to the Office of Auditor of State did not agree with the confirmed beginning balances per the 2010 audited financial statements. When this happens, it is possible for transactions not to be recorded or deposits to be misplaced.

Recommendation - When preparing the Financial Report make certain that your beginning and ending fund balance amounts agree with your reconciled cash and certificates of deposit balances.

Response - We used \$ 0 amounts as our beginning balances, but we will follow your recommendation in the future.

Conclusion - Response accepted.

I-D-10 Ryan Fire Department - The Ryan Fire Department maintains cash accounts using the City federal identification number. Although the Fire Department was not considered to be a component unit of the City for fiscal 2010, it is possible that the Fire Department could be considered a component unit in the future, under criteria set forth by the Governmental Accounting Standards Board in Statement No. 14, The Financial Reporting Entity, as amended by Statement No. 39, Determining Whether Certain Organizations Are Component Units. Without receiving any financial information from the Fire Department, it is impossible for the City to make this determination.

Recommendation - The City should at a minimum receive an annual report, from the Fire Department showing receipts, disbursements and cash balances using account titles similar

to those used by the City. In lieu of this, the Fire Department should establish itself as a separate legal entity under its own federal identification number.

Response - We will discuss this with the Fire Department.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - We did amend the budget in May, but miscalculated debt service disbursements by \$ 84. We will be more careful when amending the budget in the future.

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-10 Revenue Bonds - No instances of non-compliance with the revenue bond resolutions were noted.

The Enterprise, Sewer Fund has shown losses the past two years and at June 30, 2010 had a fund balance of \$ 19,475. Over the next fifteen years the sewer revenue notes have a minimum service requirement of \$ 31,000. If the current trend continues the sewer fund will have a deficit balance within two years, a violation of the City's revenue bond resolutions.

Recommendation - The City should investigate alternatives to return the Enterprise, Sewer Fund to profitability.

Response - The City Local Option Sales Tax Resolution had previously allocated one-eighth of sales tax receipts to the Enterprise, Sewer Fund. The ballot measure passed in 2009 discontinued this policy. The City is considering a new ballot initiative to reinstitute this policy.

Conclusion - Response accepted.

II-I-10 Payment of General Obligation Notes - Certain general obligation notes were paid from the General Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation - The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments of the notes should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.

II-J-10 Utility Receipts - During the audit, \$ 5,586.97 of utility receipts were classified as miscellaneous General Fund receipts.

Recommendation - The City should transfer \$ 5,586.97 from the General Fund to the Enterprise Funds.

Response - We will make the recommended transfer.

Conclusion - Response accepted.

II-K-10 Financial Condition - At June 30, 2010 the Debt Service Fund and Capital Projects Fund had deficit balances of \$ 13,048 and \$ 7,766, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - The City will do this.

Conclusion - Response accepted.